


Memorandum

Date: March 22, 2016

To: Kathryn Funk-Baxter, Vice President for Business Affairs

From: J. Richard Dawson, Institution Chief Audit Executive 

Cc: Dr. Ricardo Romo, President

J. Michael Peppers, Chief Audit Executive, UT System

Randy Wallace, Associate Vice Chancellor – Controller and Chief Budget Officer, UT System

Subject: Review of UTS 142.1 Monitoring Plan for Segregation of Duties, Reconciliation of Accounts, and Sub-certifications (Project #2016-06)

Conclusion

UT System (UTS) 142.1, *Policy on the Annual Financial Report*, requires the Office of Auditing and Consulting Services to perform annual testing of the Monitoring Plan for Segregation of Duties, Reconciliation of Accounts, and Sub-certifications (Monitoring Plan). Based on our review, UTSA complies with UTS 142.1 related to the Monitoring Plan. The Office of Financial Affairs and the Office of Institutional Compliance and Risk Services are performing their responsibilities as outlined in the Monitoring Plan to ensure compliance with UTS 142.1.

Monitoring Plan Requirements

The Financial Reporting Officer (Associate Vice President for Financial Affairs) at each institution is required to develop and annually update their Monitoring Plan. The Monitoring Plan outlines the internal controls to ensure that funds are expended and recorded appropriately on the UTSA Annual Financial Report.

At UTSA, Department Managers are responsible for all financial aspects of funds allocated under their authority and serve as financial stewards of UTSA resources. The Monitoring Plan includes the Department Managers' internal control duties related to the following key processes:

- segregation of duties,
- transaction approval,
- receipt of goods or services,
- reconciliations and reviews, and
- cash handling and securing.

Financial Affairs revised the Monitoring Plan in accordance with UTS 142.1 and updated the Financial Management Operational Guidelines website on February 11, 2016. We reviewed those changes and found them to be appropriate.

Sub-Certification Process

As a part of the Monitoring Plan, Department Managers are required annually to certify (sub-certification) to the Financial Reporting Officer that Cost Centers/Project IDs under their authority are reconciled timely, financial duties within their department are adequately segregated, and any material internal control weaknesses have been appropriately reported and addressed. The Assistant Vice President, Financial Affairs and Controller (AVPFA/Controller) reviewed the sub-certification responses from the Department Managers to identify any potential issues with reconciliations and/or segregation of duties. Several departments were identified that were behind on account reconciliations due to the transition to PeopleSoft in May 2014. Financial Affairs hired six temporary accountants in Summer 2015 to assist departments with learning the PeopleSoft account reconciliation process and with becoming current on account reconciliations. Then, beginning in Fall 2015, the temporary accountants focused on assisting the Research Service Centers in becoming current with research account reconciliations.

Quality Assurance Reviews

Throughout the year, the Office of Institutional Compliance and Risk Services (OICRS) conducts Quality Assurance Reviews (QARs) to provide management with assurance that departmental internal controls are in place and are operating effectively. Due to the transition to PeopleSoft, OICRS streamlined the QAR process to focus only on the key internal controls of segregation of duties and account reconciliations. UTSA currently has 197 Department Managers. OICRS plans to conduct QARs on all Department Managers by January 2017.

In FY15, 50 QARs were conducted. Through mid-March 2016, 40 QARs have been completed for FY16. Below is a summary chart prepared by OICRS outlining the results of the QARs completed and identifying the number of departments where improvements are needed (red and yellow). For significant issues, OICRS performs an on-site follow-up with the Department Manager.

QARs FY15 & FY16									
VP	# QARs Conducted	Segregation of Duties			Account Reconciliation				
President	0 of 4								
VP for Community Services	21 of 21	1	6	14	1	9	11		
VP for Business Affairs	23 of 25		7	16		9	14		
VPAA/Provost	20 of 113		4	16	4	4	12		
VP for External Relations	4 of 4		1	3	1	1	2		
VP for Research	0 of 8								
VP for Student Affairs	22 of 22	1	2	19	5	4	13		
Total	90/197	2	20	53	11	27	40		

Vice Presidents are provided a final summary of the results from all QARs performed in their area. The QAR results are also shared with the UTSA Executive Compliance Committee at their quarterly meetings.